

Hiring at Spartan Financial

This case is designed to give you an idea of what the hiring process entails and the types of decision managers must make when hiring individuals for their company.

Spartan Financial is a fictional financial services firm based on real firms and their selection practices, both good and bad. It is a medium-size firm with around 1,500 employees and \$500 billion in assets. They are recognized as being one of the market leaders for their firm size, and have a reputation for bringing technological advancement to the industry. They have multiple locations throughout the United States, with headquarters on Wall Street in New York, and have recently begun to expand into overseas markets. They offer services such as investment banking, financial market research, and M&A advisory services, amongst others. They have three basic levels of employees below the executive level: analyst (entry level), associate banker (middle management), and banking manager (upper management).

SUPER SATURDAY AT SPARTAN FINANCIAL

The culmination of a year's worth of recruiting effort for Spartan Financial comes down to one Saturday in January: Super Saturday. A countless number of campus visits, recruiting pitches, applications, resumes, initial and follow-up interviews, and reference checks results in a final pool of about 50 applicants that will ultimately amount to approximately 20 extended offers for the associate banker position. Super Saturday is a huge event for the company; it's the final chance to sell applicants on the firm and make sure the firm is hiring the right people for the job. Associate bankers play a critical role for the firm as they are often the ones making day-to-day decisions and handling a majority of the interaction with clients, as well as leading the analysts and project teams. As such the firm puts a great deal of effort putting the event together, including asking a large contingent of banking managers and associate bankers to take time out of their already packed schedules to attend.

Super Saturday is actually a 2-day event. On Friday, applicants are flown into the firm's headquarters and that evening are treated to dinner and a cocktail hour, during which they get the chance to interact with

banking managers, current associate bankers, and recruiting managers in an informal setting. Saturday morning is a grueling round of interviews, in which each applicant goes through four 45 minute interviews. By noon, the interviews are complete, the applicants are flown out, and the bankers and managers sit down to lunch and begin discussing who's in and who's out.

This year, the firm is looking to bring in a class of 20 associate bankers. Three spots are already accounted for as full time hires from the summer internship program, two are analysts that are being promoted, which means that 15 need to be hired through Super Saturday. Based on previous recruiting numbers, to get 15 accepted offers, the firm will need to extend 20 offers. After going through an initial round of discussion and comparisons, the firm has agreed on 18 candidates to extend offers to, and 28 candidates that didn't make the cut. That leaves four candidates to fill the remaining two positions.

THE SELECTION PROCESS

Identifying target schools. Much like most of the other firms in the investment banking industry, Spartan Financial initially targeted recruits from only the "top 10" MBA programs. There was a perception on Wall Street that legitimate companies only hired from the top schools, and companies who didn't might be looked at strangely, as though they were offering an inferior product. However, as a medium-sized firm, Spartan couldn't compete with the larger, more prestigious firms in recruiting, and usually missed out on the top candidates from each class.

Spartan finally decided to try a different approach; they began targeting the "next 15" business schools, such as Carnegie Mellon, Columbia, Cornell, Emory, & University of Texas - Austin, which became known as their core schools. The firm realized that these schools were being somewhat ignored by the larger firms, but were still producing well qualified candidates. Instead of spending lots of resources at the very top schools to get middle of the class candidates, Spartan has invested in forming close relationships with this next batch of schools to ensure that they get the pick of the best candidates. These candidates are usually fairly comparable to the best students from the top schools, but tend to be more loyal and excited to be at Spartan Financial.

Spartan has a recruiter at each of the core schools, who is responsible for conducting information sessions and other recruiting events. They are able to collect and review resumes, provide information to interested

students, and develop useful relationships with the business schools' career services offices. They also maintain a network of school alumni who work for Spartan who are able to meet with students and provide guidance and information on a career in the financial industry. The recruiters are also responsible for "selling" the firm, highlighting the benefits of working for a smaller firm that has less bureaucracy and more opportunities for rapid advancement. Finally, after speaking with interested applicants and reviewing the resumes, recruiters pass on who they deem as potential hires to the central human resource department.

Resumes and references. The HR department screens through the resumes that have been passed on to them from each school. They look for things such as educational experience, like the applicant's major and GPA where available, work experience, and skill sets. Working together with the banking managers, HR narrows down the list of applicants that it would like to formally interview, based on the current skill needs of the firm and perceived fit. In instances where a candidate is on the bubble, one of the recruiting managers will reach out to the individual's references to try to get a better read on the person.

On campus interviews. After HR determines the interview list for each school, the school recruiter is responsible for coordinating the interviews with a banking manager. It is up to the individual banking manager to determine how the interviews are conducted. Some managers prefer a casual approach, such as a discussion over a cup of coffee, in which they try to get to know the person and determine how they'll fit in with the firm. Other managers prefer a formal interview designed to be difficult, with the idea that if the candidate doesn't do well at it, they won't do well at Super Saturday. Some managers focus on understanding the technical skills of the candidate and determining how those skills could be used by the firm, while others simply ask themselves, "Would I want this person working for me?" Each manager then simply says "yes" or "no" for each candidate, knowing that only about 5 candidates from each school will be invited to Super Saturday. From those candidates that earn a "yes", HR selects the top 50 and makes the arrangements to get them to Super Saturday.

Super Saturday. Super Saturday begins Friday evening with a dinner and cocktail hour. This time is "business casual" and designed to feel informal, giving candidates a chance to mingle with Spartan's current

employees as well as the other applicants. The Spartan employees use this time to get to know the applicants a little better, and to see how they get along with everyone. Do they seem engaging and pleasant? Do they seem likable? Do they seem like they fit in? Do they behave appropriately with access to an open bar? Although no formal notes are made during this event, candidates make their first impressions, both good and bad, and the recruiters make mental notes that can affect their decisions the following day.

Interviews start Saturday morning at 8:00 AM, and consist of four 45 minute interview blocks, with three 15 minute breaks built in. Each candidate is scheduled for four interviews: one with a current associate banker, two with banking managers, and one with a recruiting manager. The order of who they meet with and which particular employees they meet is randomized ahead of time, to coordinate with the employees available. Some candidates may have an idea of what functional area they may want to work in ahead of time; however, no effort is made to match them with employees from that particular area. The idea is that if they're good enough to work for the company, they can fit in anywhere.

Most banking managers, and even associate bankers, feel confident in their ability to conduct interviews, and don't always take kindly to suggestions from HR, so there is no interviewer training and no formal list of questions they are supposed to ask. However, they are given a form to fill out for each candidate (see Appendix A), listing pros and cons and their overall impression of the candidate. Similar to the on campus interviews, each employee has a slightly different approach to conducting the interviews. Some managers and bankers want to know how the candidate would fit in with their particular work team, both from a technical and a personality stand point. Recruiting managers often try to gauge how likely the person is to stay with the company for a long time, or how likely the person is to experience burnout. The interviewer has 45 minutes to ask whatever questions they think might be appropriate, but it is recommended they allow some time for making a brief sales pitch for the company and for allowing the candidate to ask a few questions. At the end of each round, both parties get a quick break, and then it's on to the next one. After all four rounds, the candidates are debriefed and sent home, and the Spartan employees sit down for lunch and start working through the candidates.

SELECTION CRITERIA

The following is a list of criteria that Spartan Financial has agreed is important in determining whether or not they should hire a candidate.

Entrepreneurial. As a company that is looking to expand and grow into new markets, Spartan Financial wants employees with an entrepreneurial attitude. Many of the associate bankers will be responsible for running their own project teams, which are like their own small businesses. They will be responsible for selecting their analyst team members, for establishing budgets and project protocol, and for keeping clients happy. Because of the geographic dispersion of the firm, and the travel often required of project teams, banking associates must be comfortable with autonomy and have an aptitude for self-managed success.

Forward thinking. Much of the firm's success has been built on the development and integration of new technology into the financial industry. Therefore they seek employees that are innovative, love technology, and are quick to adapt to new work methods.

Leadership. Similar to being entrepreneurial, the firm wants employees that are going to be comfortable leading. The associate bankers will be in charge of their project teams, and will have to direct the junior analysts. With both their employees and their clients, the associate bankers must seem confident, competent, and in control.

Loyalty. Finding and retaining good talent is an expensive and difficult process, and the financial industry is particularly susceptible to poaching and turnover. Spartan recognizes that it is not currently one of the large firms and that there are more prestigious financial companies to work for. So for them part of finding the right employee is finding someone who is excited to work for Spartan Financial and who plans for a long career with them.

Personality. Teamwork is critical to the firm's success. Associate bankers also have frequent interactions with their clients. Therefore Spartan Financial needs employees with friendly, agreeable personalities, who are also driven and competitive; not always an easy mix to find. They want employees who will not only care about their own success, but also that of their team and the firm.

Technical ability. The firm needs individuals who are capable of doing the jobs asked of them. This is gauged by their educational backgrounds, work experience, and a general feeling of how well they can

learn and apply new skills. Wall Street and the financial industry are fast paced environments, and there is very little time for employees to develop. The associate bankers need to come in with a well-developed set of skills and must pick up any other skills they need on the fly.

Fit. Fit is the ambiguous term that serves as both a catch-all for all of the other criteria, as well as anything the firm deems as important that isn't encapsulated in the other criteria. Many of the managers rely on a gut feeling to determine if a candidate will be a good employee or not, and it is usually surmised by asking, "Is the candidate a good fit or not?" Sometimes fit is determined by deciding on how well the candidate would get along with his or her peers. Sometimes it's a matter of matching a certain image that the company portrays. Sometimes it's used as the justification for why a candidate shouldn't be hired when no other logical reason can be found. And sometimes it's simply a matter of liking the candidate or not. Fit is often hard to define and varies from manager to manager, but is one of the criteria that is given the most consideration in many selection decisions. Spartan Financial is an innovative, growing company reliant on teamwork, leadership, and technical ability; it is up to each recruiter to determine whether each candidate is a good fit with that or not.

THE FOUR REMAINING CANDIDATES

Chunhua Peng. Chunhua Peng is currently an MBA student at Dartmouth, where she also serves as a graduate teaching assistant in the finance department in the business school. She completed her undergraduate finance degree at a prestigious Chinese university, finishing top of her class. After school, she moved to the United States and began working with a software firm, where she helped design financial forecasting software that is currently used by many firms on Wall Street. She had met informally with one of the bankers at a Dartmouth recruiting event, but it was mostly her educational pedigree and strong finance background that earned her an invite to Super Saturday.

Peng's interviews went well for the most part. All the bankers are impressed with her financial knowledge, and she seems to be a very determined individual who was willing to work as hard as it takes to succeed. Her references confirmed those sentiments as well, with one individual claiming he would trust Peng over anyone else with his company's finances. Despite her generally positive reviews there are a few individuals that are expressing strong reservations about hiring her.

It is clear that English is not Peng's native language. A couple of associate bankers also noticed that she seemed withdrawn and quiet at the previous evening's happy hour, and that she seemed uncomfortable making small talk during the interviews. The associate bankers are afraid she will have a difficult time getting along with her peers and believe that she is probably not a good fit. One managing director is worried that the language barrier and her lack of customer-focused work experience will make it difficult for her to effectively coordinate with both her clients and her manager. Some of the other managers spoke up on her behalf though, saying she would have no trouble interacting with her clients, as not all of them particularly like the typical hard and fast "Wall Street way" of speaking, and that the managers and associates could stand to have a little diversity around.

Marvin Rhodes. Marvin Rhodes is a second-year MBA at Wharton, who previously served as an officer in the military. He has extensive leadership experience, including leading a successful search and rescue mission in a recent overseas conflict. However, he had no business training or experience prior to his MBA. He was chosen as class president by his peers, and is also the president of the graduate rowing club on campus. While working on his MBA he has also found time to run two marathons and a triathlon. All of the bankers who interviewed Marvin agree he has a dynamic personality and seems very confident and articulate. However, due to Wharton's recruiting policy, companies are not allowed to ask about grades, so it is unclear how well Rhodes is doing with his business coursework.

Scheduling Rhodes for Super Saturday had been a difficult process, as it seems he is involved in the recruiting process with a few other firms as well. There is a general feeling around Spartan Financial that candidates either really want to come to Spartan or they didn't get offers from other firms, and there is some concern that Rhodes sees Spartan as a backup option. He claimed in the interviews that he is looking for a smaller firm like Spartan and likes their areas of specialization, but it is unclear how likely he is to accept an offer if one is extended and there is concern he is playing firms against each other while looking for the best offer. As one banker put it, "If a candidate doesn't sign the offer right away, we made a mistake," and that mistake could prevent the company from extending an offer to another qualified candidate who would accept.

Ben Goldberg. Ben Goldberg is in his second year of the MBA program at Columbia. After undergrad, he worked for one of the “Big Four” auditing firms and had quickly risen through the ranks to reach the management level. Goldberg had led multiple audit teams, budgeted and priced projects, solved technical accounting problems, amongst other things which, all together, shows a wide variety of skills and competencies. A reference at the company confirmed that Goldberg’s performance appraisal put him in the top 5% of the firm. Everyone who interviewed Goldberg agrees he is a likable guy and would represent Spartan Financial well. All the comments on the evaluation forms seem positive.

Goldberg should have been an immediate yes. However, there is a specific concern that no one really wants to openly acknowledge: he is married and has two very young children. New associates are typically expected to be committed to work 24/7 and many of the bankers, who have sacrificed their own personal lives to be successful at work, are afraid Goldberg might not be able to give that type of commitment. What type of allowances would the firm have to make for Goldberg if he has to pick the kids up at daycare or take a weekend off? How would his associate peers react to his special treatment? Goldberg had openly discussed looking for a nice work-life balance in his interviews and maybe he thinks working at a smaller firm, like Spartan, won’t be as demanding. One senior manager raised the point that, “Goldberg might be too mature for this position. He’s used to being in charge and having lots of responsibility, so how’s he going to respond to taking orders? If he was on my team, could I be confident he’d do what I told him to and put in the hours I need him to?”

Johnny Torres. Johnny Torres is currently in the second year of the MBA program at University of Texas - Austin, where he had also earned his undergraduate degree in economics. During his time in undergrad, he started a company and has been working as a successful entrepreneur since then. The company is a tutoring business which helps students, both English and Spanish speakers, prepare for standardized achievement tests, such as the SATs and GMAT. Last year the company served roughly 5,000 clients, resulting in nearly \$2 million revenue and \$300,000 in profits for Torres. Torres has been running the company full time for a few years, but when he began his MBA program, his brother stepped in to help with some of the day-to-day management.

Torres interviewed well and everyone agrees he seemed enthusiastic and personable. He was well prepared for the interview, was clearly

knowledgeable about the firm, and had reached out to other UT-Austin alumni working for the firm to hear about their experiences. He had also been reading up on investment banking and was able to discuss some current financial events in his interviews. It seemed Torres was genuinely interested in the company and everyone was impressed by his entrepreneurial spirit. However, a few bankers are wondering if Torres' entrepreneurial spirit will allow him to actually commit to working for another company, or if he'll always have his own business on his mind. To allay this concern, Torres said in his interviews that he is looking for a change and that his brother will take on running the business full time.

The biggest concern with Torres is his academic performance. His resume listed his undergrad GPA as 2.7, and his business school GPA as 3.0. A 2.7 really stands out as being below what the firm expects from its associates, and, accounting for the grade inflation at business schools, a 3.0 is also somewhat concerning and paints the picture of a "C student". Torres had a logical explanation for the low marks though, claiming that running his business had taken up much of his time and didn't leave much time for studying. He also pointed out that his standardized tests scores were extremely high, indicating that the ability was there.

CONCLUSION

It is now up to you to decide who Spartan Financial should hire. Look back over what the firm values in its associate bankers and what each candidate has to offer. Additionally, look over the case questions below and be prepared to discuss them in your recitation section.

CASE QUESTIONS

1. What selection criteria were important to Spartan Financial?
2. What is "fit"? How did Spartan Financial determine fit? What are some of the pros and cons of using fit as a selection criterion?
3. Of the four remaining candidates, which two would you extend offers to? How did you reach this decision?

4. What are some of the things Spartan Financial did well in its selection process? What are some things that could be improved on?

Appendix A – Interview Form

Applicant Name Johnny TorresInterview Block 1Interviewer Name Bill LumberghLocation Room 454

Pros of the candidate:

*owned
business*

*good
personality*

seemed knowledgeable

Cons of the candidate:

LOW GRADES!!!

*high test scores,
but ran testing
company?*

*ready to
give up
own business?*

Overall, how good of a fit is this candidate for Spartan Financial?

1

2

3

4

5

Poor Fit

Great Fit

Should we make an offer to this candidate?

Yes, without reservation

Yes, but with some concern

No